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ANNUAL REPORT

OF

MARSHALL FIELD & COMPANY

THE CLOCK STRIKES A CENTURY 1852·1952

YEAR ENDED DECEMBER 31, 1951

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MARSHALL FIELD & COMPANY

An Illinois Corporation

Founded in 1852 *Incorporated in 1901*

General Offices:

25 EAST WASHINGTON STREET, CHICAGO 2, ILLINOIS

1951

ANNUAL REPORT TO SHAREHOLDERS

The year 1952 marks the hundredth year of our store's service in Chicago, and the symbol above is being widely used as an identifying mark. Our purpose throughout 1952 is to pay tribute to all those who have made this company's success possible. Foremost among these are the customers, employes, shareholders and suppliers without whom Marshall Field & Company could not exist. Since this is the shareholder report on our 99th year, 1951, the symbol is simply introduced here. A full report on the activities of Field's Centennial year will be made later.

General Counsel
WILSON & McILVAINE
CHICAGO

Public Accountants
ARTHUR ANDERSEN & CO.
CHICAGO

Transfer Agents
CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO
CHICAGO

GUARANTY TRUST COMPANY OF NEW YORK
NEW YORK

Registrars
THE FIRST NATIONAL BANK OF CHICAGO
CHICAGO

BANKERS TRUST COMPANY
NEW YORK

BOARD OF DIRECTORS

ALBERT B. DICK, JR.
MARSHALL FIELD
STANLEY FIELD
CHARLES Y. FREEMAN
HENRY P. ISHAM
HUGHSTON M. McBAIN
JAMES L. PALMER
JAMES SIMPSON, JR.
JOHN P. WILSON

GENERAL CORPORATE OFFICERS

Chairman
HUGHSTON M. McBAIN

President
JAMES L. PALMER

Comptroller
JOHN D. ANDERSEN

Secretary
RALPH E. BOWERS

Treasurer
GERALD A. SIVAGE

Assistant to the President
EARL KRIBBEN

Assistant Comptroller
GEORGE G. RINDER

Assistant Secretaries
ARTHUR JACKSON
VOLKER KOCH-WESER

Assistant Treasurer
CHARLES M. RHODES

OFFICERS IN THE COMPANY'S DIVISIONS

Vice Presidents
HAROLD J. NUTTING
WILLIAM S. STREET
AUSTIN T. GRAVES
MILTON C. MUMFORD
JEAN L. SCHUREMAN

Divisional Vice Presidents
GARRET L. BERGEN
DAVID W. DAVIDSON
PAUL M. HAMMAKER
EGIL E. KROGH
JOHN McKINLAY, JR.
LAWRENCE B. SIZER
HAROLD W. WHITCOMB

TO THE SHAREHOLDERS

The Board of Directors submits this annual report for the year ended December 31, 1951.

Your Company's net income after Federal income taxes was $4,975,000 after deducting a provision of $500,000 for the reserve for inventory price decline. In 1950 net income was $7,572,000 after deducting a provision of $2,293,000 for the same reserve. Net income before inventory reserve adjustments was $5,475,000 in 1951 compared with $9,865,000 in 1950.

Since 1946 the Company has been following a policy of annually increasing or decreasing its inventory reserve by an amount approximating the effect of price increases or decreases between year-ends upon its inventory valuations. These adjustments decrease net income in years in which price levels have risen and increase it in years in which they have fallen.

Net sales in our retail stores in 1951 were 4% above the 1950 level. Net income in this division before reserve adjustment was $5,762,000 compared with $7,790,000 in 1950.

Net sales in our Fieldcrest Mills in 1951 were 9% lower than in 1950. This division sustained a net loss before reserve adjustment of $287,000 compared with a net income of $2,075,000 in 1950.

Operating results for the Company are summarized in the following table:

	1951	1950
NET SALES	$225,589,000	$222,899,000
Wages, salaries and employe benefit costs	60,218,000	60,770,000
Cost of merchandise and miscellaneous expenses	154,518,000	144,927,000
Federal income taxes	5,378,000	7,337,000
Increase in reserve for inventory price decline	500,000	2,293,000
NET INCOME	4,975,000	7,572,000
NET INCOME PER COMMON SHARE		
After inventory reserve adjustments	2.23	3.57
Before inventory reserve adjustments	2.49	4.75

Our net income in the two years was distributed as follows:

	1951	1950
Dividends paid to shareholders	$4,525,000	$4,525,000
Reinvested in the business	450,000	3,047,000

Last year was not a particularly satisfactory one for our Company or for the department store industry generally. Fear of merchandise shortages resulted in inventory accumulations early in the year. When these shortages failed to materialize markdowns higher than usual followed. Price controls also adversely affected our 1951 earnings. Expenses, including wage

rates, continued to press upward in the face of a not too favorable sales trend. Our Frederick & Nelson store in Seattle was further handicapped by its expansion and remodeling program which necessarily introduced difficult operating problems throughout the year. We believe that in view of the obstacles encountered both our Chicago and Seattle stores achieved rather remarkable results in 1951. Despite higher income tax rates earnings of the retail division declined only 26%.

In 1951 we experienced the first net loss in our Fieldcrest Mills since 1937. One of the most severe recessions in the history of the textile industry occurred during the year. The prices of both cotton and wool broke suddenly and severely in mid-year, causing heavy inventory losses despite our conservative raw material buying policies. Simultaneously the volume of business fell sharply, and the prices of some finished goods dropped to unprofitable levels. Operating losses in some of our mills therefore were added to substantial declines in inventory valuations to produce a disappointing showing for the year. Our heaviest inventory losses were sustained in the rug and blanket mills, each of which uses large quantities of wool. Between March and September wool prices declined about 50%.

The Company's capital expenditures for expansion and for improvement of buildings and equipment totaled $11,300,000 in 1951 as against $8,500,000 in the preceding year. Of the former amount $5,100,000 was expended on Frederick & Nelson in Seattle. Nearly all of this outlay resulted from the expansion and modernization program of that store. This program was started two years ago, and is almost completed. We have added four and one-half stories to a five and one-half story building, installed modern heating and ventilating, expanded and rearranged nearly all departments, modernized lighting and fixturing, and built new windows and entrances. As a result we have in the new Frederick & Nelson one of the finest and most attractive department store plants in the country. We believe it will occupy a pre-eminent position in the Pacific Northwest for many years to come. Only fixture remodeling in the old part of the building remains to complete the project, and this will be accomplished during the next few months.

The total 1951 capital outlay on our Chicago operations approximated $3,700,000. This represented the cost of a great many improvements important among which were the remodeling of a number of selling departments, the air conditioning of several additional areas of our main store, the installation of cycle billing equipment, and continued replacement of office machinery, carpeting, lighting and store fixtures.

In 1951 we expended approximately $2,500,000 on the improvement of our Fieldcrest Mills properties. The most important project was the moving of our rayon mill into the building formerly occupied by our woolen mill. This building has been air conditioned and modernized in other ways, with the result that our rayon mill is now competitive with the strongest units in the industry. Other major projects in 1951 were the installation of a new boiler plant in our finishing mill and the construction of an addition to our towel mill.

Our capital expenditures since 1945 have been unusually heavy, partly because restrictions in effect during the war years delayed the making of needed improvements in our properties. Some of these expenditures were for expansion purposes. We believe that all of our properties are now in excellent condition. With our Frederick & Nelson project practically completed, it appears that no other expenditures will be necessary in the years ahead to increase the size of any of our present facilities. Indications are that our total capital expenditures on existing

properties in 1952 will not exceed $6,000,000. They may well fall below this figure in the years immediately following.

As announced previously, we plan to build one of the largest and finest shopping centers in the world in the village of Skokie, a community 16 miles northwest of Chicago. Preparatory work necessary to the construction of this center is moving forward rapidly. The center will serve an area with a population of about 800,000. It will provide parking space for at least 7,000 automobiles. Included in the center will be a Marshall Field & Company store about three times the size of our Evanston store, two or three other department stores, several specialty shops, numerous other retail and service establishments, and an office building.

The center has been named Old Orchard. We have formed a subsidiary corporation, Chicago Suburban Centers, Inc., whose management will be responsible for the development of the Old Orchard project. Mr. John McKinlay, Jr. has been elected President of this corporation. While firm predictions are impossible because of Federal governmental building restrictions, we hope these will be removed so that we can break ground at Old Orchard before the close of 1952.

During the past several years the cash requirements of the Company have increased materially, due in part to advancing prices and the high level of business, and in part to our capital expenditure program. We have met this problem by retaining substantial parts of our earnings in the business, and through term bank loans which amounted to $22,000,000 at the year-end.

In early 1952 the Company arranged to borrow from an institutional investor on its 30-year 3¾% notes a total of $30,000,000. It is anticipated that approximately $20,000,000 of this amount will be borrowed in March, 1952, and the balance before August, 1953. Under the terms of this arrangement the notes are payable in installments between March 1, 1972 and March 1, 1982. Prepayments may be made without premium at the option of the Company in amounts of $1,000,000 annually between 1954 and 1971, and $1,500,000 or less annually between 1972 and 1981. The proceeds of this loan will be used to retire our outstanding term bank loans of $22,000,000, and for other corporate purposes. The new loan arrangement provides the Company with longer-term capital and a flexible repayment schedule.

Our total merchandise on hand and on order on December 31, 1951 was $43,100,000, or 14% lower than at the end of 1950. Most of the decrease took place in our Fieldcrest Mills division where the reduction was 33%, as against a 1% decline in our retail division.

In 1951 we added $500,000 to our reserve against decline in market value of inventories, thus bringing the reserve to $6,500,000 at the year-end. This reserve has been set aside out of current earnings since 1945.

Payments toward the 1951 cost of our employe Retirement Program were $2,600,000. The value of assets in our Pension Trust now approximates $23,300,000.

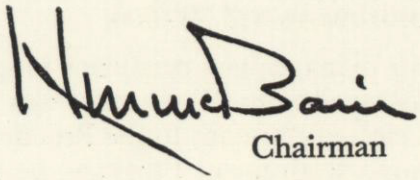
There were only two major changes affecting management personnel in your Company during the year. Mr. Gerald Sivage, formerly Assistant to the Chairman, was elected Treasurer. Mr. Earl Kribben, formerly Treasurer, was elected Assistant to the President. In his new position, Mr. Kribben will administer the Company's Retirement Program, be responsible for real estate and personal property tax matters, and represent the Company's interest in legislative and civic affairs, including such problems as housing, transportation and parking.

Although the first-quarter earnings outlook for your Company is not particularly favorable, we are reasonably hopeful that the year 1952 as a whole will see a reversal of the downward trend in earnings that has recently characterized the industries of which we are a part. We enjoyed an extraordinary first quarter in all divisions of our business in 1951, due mainly to a wave of scare buying precipitated by developments in the Korean war. Thus far in 1952 our retail business has been below last year's level but substantially exceeded the volume for the same period in any other prior year. We believe the retail sales trend is favorable. Our Fieldcrest Mills division will not do well during the first several months of 1952. The severe recession which developed in the textile industry nearly a year ago has not ended. The volume of our mill business is not satisfactory, and the prices of some finished goods are currently below cost. It is our hope that conditions in this part of the business will improve during the year but at the moment the prospect of a satisfactory earnings level is not in view.

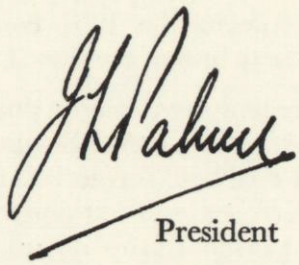
Many of the factors which will affect the Company's 1952 earnings lie beyond the control of your management. The general state of business and price levels are heavily contingent upon political as distinguished from economic considerations. Waste in Government, reflected in constantly increasing taxes, is a matter of prime concern to us. In 1951 this Company paid over $9,000,000 in direct taxes to federal and local Governments. For every dollar we earned for our shareholders we spent nearly two to support Government. In many business enterprises, including our own, the burden of taxes is so great as to make it practically impossible to realize a reasonable return on the stockholders' investment except under extremely favorable conditions. Price controls which materially reduced our earnings in 1951, are continuing to have this effect. We see no need for such controls in our industry. Finally, the trend toward higher wages continues and lies beyond our control because industry patterns, often established by the action of Governmental agencies, largely determine the wage rates prevailing in individual business enterprises.

It is apparent from the foregoing that your Company will not be without its problems in 1952. It has entered the year, however, with its physical properties in splendid condition, and with a seasoned and loyal staff in whom your management has exceptional confidence. Some of the problems which proved to be serious in 1951 are not likely to recur. Assuming no new and unfavorable developments beyond our control, we are of the opinion that the future of your Company may be viewed with moderate optimism. We believe that it has never been in a stronger position to meet any set of circumstances that may materialize. Our confidence would be greatly enhanced if we could look to Government for the elimination of wasteful expenditures and a higher degree of integrity among many officials and employes in the management of its affairs.

By Order of the Board of Directors,



Chairman



President

March 15, 1952

THE STORY in BRIEF

	1951	1950	1949
Net Sales	$225,600,000	$222,900,000	$207,800,000
Net Income before Taxes and Reserves	10,900,000	17,200,000	12,500,000
Net Income before Reserves	5,500,000	9,900,000	7,800,000
Net Income	5,000,000	7,600,000	8,700,000
Dividends Paid	4,500,000	4,500,000	4,500,000
Dividends Paid per Common Share	2.00	2.00	2.00
Current Net Income Retained in the Business	400,000	3,000,000	4,100,000
Cash and Securities	9,000,000	7,200,000	8,000,000
Merchandise Inventories	32,600,000	32,200,000	26,600,000
Merchandise on Order	10,600,000	17,700,000	11,400,000
Accounts Receivable	31,800,000	29,800,000	25,100,000
Current Assets	73,400,000	69,200,000	59,700,000
Net Working Capital	45,100,000	38,800,000	35,200,000
Fixed Assets	58,700,000	47,500,000	41,900,000
Expenditures for Plant and Equipment	11,300,000	8,500,000	3,200,000
Depreciation	2,700,000	2,800,000	2,600,000
Current Liabilities	28,400,000	30,400,000	24,500,000
Funded Debt	0	0	0
Term Bank Loan	22,000,000	6,000,000	0
Amount Paid in for Capital Stock	41,000,000	41,000,000	41,000,000
Net Income Retained for Use in the Business	40,500,000	38,500,000	31,900,000
Number of Shareholders	14,397	14,896	15,575

ARTHUR ANDERSEN & CO.

120 SOUTH LA SALLE STREET
CHICAGO 3

To the Shareholders of
Marshall Field & Company:

We have examined the balance sheet of MARSHALL FIELD & COMPANY (an Illinois corporation) as of December 31, 1951, and the related statements of income, net income retained for use in the business and reserves for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We had previously made a similar examination for the year ended December 31, 1950.

In our opinion, the accompanying balance sheet and statements of income, net income retained for use in the business and reserves present fairly the financial position of Marshall Field & Company as of December 31, 1951, and the results of its operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

Chicago, Illinois,
February 25, 1952

To the Shareholders of
Marshall Field & Company:

The financial statements contained in this report are correct, to my best knowledge and belief.

March 15, 1952

John D Andersen
Comptroller

INCOME STATEMENT

For the Years Ended December 31, 1951 and 1950

	1951	1950
NET SALES	$225,589,239	$222,899,346
DEDUCT:		
Materials and services purchased from others	$149,603,836	$139,920,913
Wages, salaries and employe benefit costs	60,218,076	60,770,455
Provision for depreciation and amortization	2,652,042	2,777,976
Taxes, other than social security and Federal income taxes	2,262,319	2,228,074
Federal income taxes (no excess profits taxes payable)	5,378,000	7,337,000
Increase in reserve for possible future decline in market value of inventories	500,000	2,293,183
	$220,614,273	$215,327,601
NET INCOME FOR THE YEAR	$ 4,974,966	$ 7,571,745

BALANCE SHEETS—DECE

ASSETS

	1951	1950
CURRENT ASSETS:		
Cash	$ 9,042,427	$ 7,182,872
Receivables from customers and others, less reserves	31,794,718	29,782,828
Merchandise inventories, priced at the lower of cost or market, less reserve for possible future decline in market value of inventories ($6,500,000 in 1951; $6,000,000 in 1950)	32,584,408	32,196,895
TOTAL CURRENT ASSETS	$ 73,421,553	$ 69,162,595
PREPAID INSURANCE, SUPPLY INVENTORIES, ETC.	$ 2,366,720	$ 1,906,056
FIXED ASSETS:		
Land, leaseholds, buildings and equipment, at cost	$ 85,031,574	$ 72,736,826
Less—Reserves for depreciation and amortization	26,348,776	25,190,144
NET FIXED ASSETS	$ 58,682,798	$ 47,546,682
GOODWILL, TRADEMARKS, ETC.	$ 1	$ 1
	$134,471,072	$118,615,334

NOTES:

(1) The Company has arranged to borrow from an institutional investor an aggregate of $30,000,000 on its 3¾% Notes. It is anticipated that a minimum of $20,000,000 will be borrowed in March 1952, and the balance before August 1, 1953. All borrowings will be consummated pursuant to the terms of an agreement providing for the repayment of the Notes in installments extending from March 1, 1972, to March 1, 1982. Under the terms of such agreement, $28,000,000 of the net income retained for use in the business is not available for dividends on Common Shares (other than dividends payable in capital shares of the Company). The Company intends to use such funds to retire the presently outstanding $22,000,000 term bank loans and for other corporate purposes.

MBER 31, 1951 AND 1950

LIABILITIES

	1951	1950
CURRENT LIABILITIES:		
Accounts payable	$ 10,024,055	$ 10,257,464
Accrued Federal income taxes	7,968,055	10,475,830
Other accrued liabilities	10,358,884	9,669,118
TOTAL CURRENT LIABILITIES	$ 28,350,994	$ 30,402,412
TERM BANK LOAN MATURING AUGUST 1, 1953, with option to convert to serial maturities extending from February 1, 1954, to August 1, 1958 (Note 1)	$ 22,000,000	$ 6,000,000
RESERVE FOR NET PAST SERVICE COST OF PENSION PLAN	$ 2,636,802	$ 2,731,854
CAPITAL STOCK:		
Cumulative Preferred Shares— Authorized 300,000 shares of $100 par value, issuable in series—4¼% Series; redeemable at premiums per share of $6.50 through March 31, 1955, and $4.00 thereafter; issued and outstanding 150,000 shares	$ 15,000,000	$ 15,000,000
Common Shares— Authorized 4,000,000 shares of no par value, of which 180,000 shares may be sold to officers or employes without first offering such shares to the shareholders (Note 2); issued and outstanding 1,943,763 shares at stated value	16,818,815	16,818,815
AMOUNT PAID IN FOR SHARES IN EXCESS OF PAR OR STATED VALUE	9,207,179	9,207,179
NET INCOME RETAINED FOR USE IN THE BUSINESS (Note 1)	40,457,282	38,455,074
	$ 81,483,276	$ 79,481,068
	$134,471,072	$118,615,334

(2) The Company has entered into restricted stock option agreements providing that an aggregate of 53,800 Common Shares out of the 180,000 shares referred to above, may be purchased by 33 of its officers and executives at $29.00 per share which represented approximately 95 per cent of the highest market price on the date of such agreements. Each such officer or executive may purchase on or after December 31, 1952, one-fifth of the shares allocated to him and another fifth on or after each December 31 from 1953 to 1956, inclusive.

NET INCOME RETAINED FOR USE IN THE BUSINESS

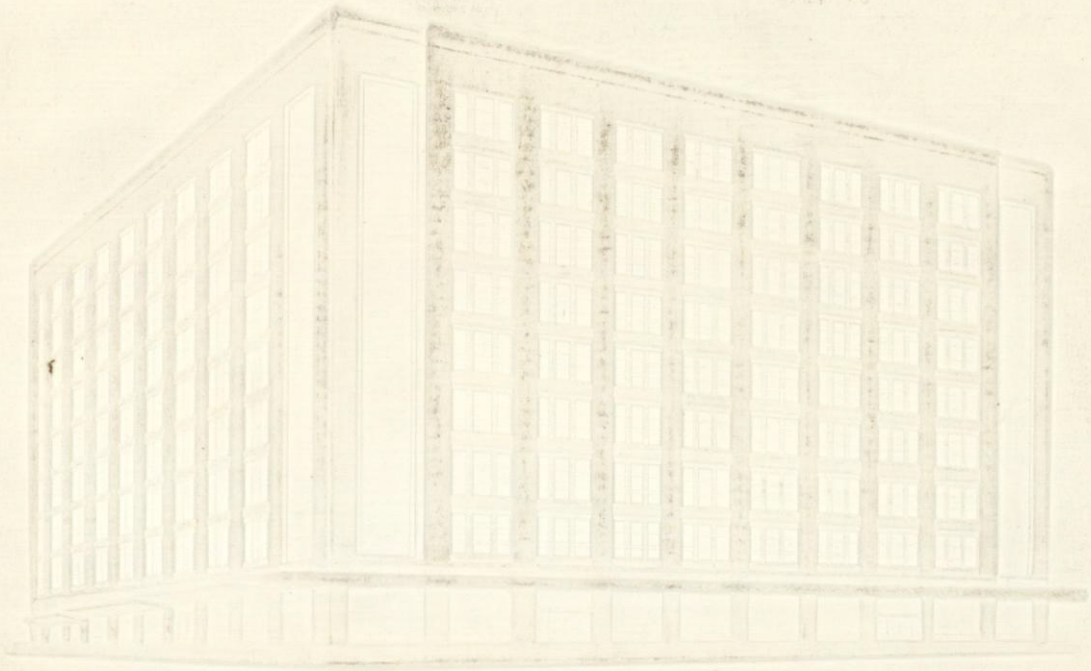
Balance at December 31, 1950		$38,455,074
Net income for the year		4,974,966
Adjustment to reflect the retroactive effect of conforming the basis of certain fixed asset and depreciation reserve accounts to that agreed upon for Federal income tax purposes, less applicable Federal income taxes ($965,374)		1,552,268
		$44,982,308
Cash dividends declared on—		
Cumulative Preferred Shares, 4¼% Series	$ 637,500	
Common Shares ($2.00 per share)	3,887,526	4,525,026
Balance at December 31, 1951		$40,457,282

RESERVE FOR POSSIBLE FUTURE DECLINE IN MARKET VALUE OF INVENTORIES

Balance at December 31, 1950	$ 6,000,000
Increase in reserve provided out of 1951 income	500,000
Balance at December 31, 1951	$ 6,500,000

RESERVE FOR NET PAST SERVICE COST OF PENSION PLAN

Balance at December 31, 1950	$ 2,731,854
Amount of past service cost paid or accrued in 1951 ($193,000), less reduction in Federal income tax ($97,948) resulting therefrom	95,052
Balance at December 31, 1951	$ 2,636,802



THE FREDERICK & NELSON STORE
SEATTLE, WASHINGTON
AS REMODELED 1952